

# CITY OF LOS ANGELES

CALIFORNIA



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Agenda Item No. 9

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## **GARLAND RELOCATION PROJECT STATUS UPDATE AND REQUEST FOR DIRECTION**

The Department of General Services (GSD) is providing this status update on the Garland Relocation Project and requesting direction from the Municipal Facilities Committee (MFC) on several outstanding issues.

Decisions and direction are needed regarding splitting or combining the space needs of the Los Angeles Housing Department (LAHD) and their Personnel Department liaisons, and Office of Finance (OOF), currently located in temporary leased space. Also, as the previous broker and project management contract expired, the need still exists for these direct and sub-contract services moving forward.

## **BACKGROUND**

Five City departments—the Los Angeles Housing Department (LAHD), Office of Finance (OOF), Economic and Workforce Development Department (EWDD), Community Investment for Families Department (CIFD), and Youth Development Department (YDD)—vacated leased space at the Garland Building, located at 1200 W. 7th St. (Garland) in February 2024.

The City sought new, permanent leased space with an option to purchase to accommodate the 1,260 employees from these departments. To this end, GSD released a Request for Bid (RFB) in 2022 for real estate brokerage and project management services. CBRE was ultimately selected to represent the City.

With the lease at the Garland building expiring and the landlord unwilling to offer acceptable holdover options, GSD had to quickly pivot and implement several temporary solutions for the departments in February 2024 and they relocated to a co-working space (Industrious) at 444 South Flower Street. Concurrently, a permanent lease location was identified by GSD's broker and the lease with the option to purchase deal was approved by the City Council in February 2024 for permanent space. However, the deal fell through during lease development due to the building's notice of default and a second round of Request for Proposals (RFPs) was distributed in April 2024 to 30 buildings. This process eventually identified three final contenders: 355 South Grand (Wells Fargo Center), 333 South Hope (Bank of America Plaza), and 865 South Figueroa.

Over the following months, GSD brought several options with recommendations to MFC that would meet the initial objective of the City which was to lease with the option to purchase.



However, direction to GSD was amended to explore a direct purchase option, which involved in depth due diligence work and Class A Appraisals for two of the three finalists. Bank of America Plaza declined to submit a follow up proposal when requested.

MFC then requested that GSD obtain lease to purchase options for the two properties, however, the owner of 865 South Figueroa eventually withdrew their proposal following a reduction in the City's square footage requirements. Consequently, the City focused on 355 South Grand, despite the landlord's refusal to agree to a direct sale at that time. Negotiations centered on a "Tenant Improvement Lease" financing mechanism, which underwent extensive legal and financial review throughout late 2024 and early 2025. Although the MFC approved the lease in July 2025, the deal was placed on hold that same month.

Since that time, GSD was directed to work with the newly consolidated CIFD on the City-owned Mangrove location, which is further outlined in the section below. The remaining departments, OOF, LAHD and their Personnel Department liaisons, remain at Industrious with their furniture, IT equipment, files, and contents in deep storage at an off-site facility, which is also outlined in the section below.

GSD seeks direction on various recommended actions and a future course in order to adequately align contracted resources to solve the remaining requirements for a long-term or permanent location for OOF, LAHD, and their Personnel Department liaisons.

#### Broker and Project Management Contract

The broker and project management contract with CBRE, which was originally intended to cover a three-year period, expired in December 2025. However, due to the unforeseen delays mentioned above, continuation of this contract is needed as the City is currently faced with several unresolved matters. These include the ongoing storage requirements of the displaced departments' items and contents, a short-term license agreement for temporary co-working office space that requires a renewal beyond January 2027 as well as two separate parking agreements. Contractual service gaps now exist due to a lack of access to multiple sub-contractors that previously provided critical services and logistics on an as-needed basis such as move coordination, IT network infrastructure design, space planning, test fits, plan check, interim storage solutions, due diligence, and more.

#### Industrious

The City's temporary co-working office space remains primarily located at Industrious. City Council approved the use of all available space at this location which consists of 511 seats, though the City is currently billed for 507 seats at a rate of \$550 per seat.

In January 2025, the City Council approved an amended license agreement (CF 23-1307) to extend the term through January 2027. An extension to the license agreement for an additional 18 to 24 months must be negotiated and executed to allow the displaced departments to remain in place at Industrious until a new location is identified and secured for LAHD and OOF. GSD will submit a separate report to request an extension of the agreement.

#### 1910 Sunset Boulevard

As part of the Garland relocation, RES successfully negotiated and executed a lease agreement to expand LAHD's satellite office at 1910 Sunset Boulevard. This expansion is designed to temporarily house approximately 90 of the 600+ LAHD employees displaced from the Garland building.

LAHD occupies a total of 20,566 square feet which includes housing inspectors and other staff expected to move to the long-term or permanent location once it is secured. However, the requirement for a public counter at a new location has been resolved since LAHD has determined that the public counter, which was previously located at Garland, will permanently remain at the 1910 Sunset office.

### Storage of Office Furniture, Files, and Equipment

The transition of City departments from the Garland building to Industrious necessitated an immediate temporary storage solution which was resolved through a subcontractor, Mover Services, Inc. (MSI), hired through the CBRE contract for project management. The expiration of the CBRE contract impacted the ability of the City to pass through payments to MSI for monthly storage and the City is now three months (January to March 2026) in arrears. GSD proposed, in consult with the City Attorney, to execute a direct short-term contract with MSI in order to continue to pay for storage of the City's property until an alternate storage solution is identified.

Initially, the storage plan contemplated that the departments needed immediate and temporary short-term storage for only a few months between the process of moving out of the Garland building and into permanent space. The items unexpectedly remain in deep storage for the long-term, currently uncatalogued, which presents logistical challenges when attempting to locate, retrieve, and/or downsize items and content in the trailers and pallets. In September 2024, RES and the contract project management team, working with the departments, reduced the stored inventory successfully decreasing the number of storage trailers from 23 to 13.

Due to the complexity of the work, GSD seeks to contract with a separate move coordinator, to continue the effort of downsizing and eliminating ongoing storage fees. The move coordinator will collaborate with the departments to identify/label items that need to be stored, salvage items that are no longer needed, and, where practical, move the remaining items to a City-controlled or City-owned space.

## **POTENTIAL FUTURE ACTIONS**

### **Proposed Consolidation of Departments**

A department consolidation including CIFD, EWDD, YDD, and the Department of Aging (DOA) becoming one department known as the Community Investment Department (CID) is underway as approved in Council File 25-0600-S43. Under the consolidation, approximately 330 staff would require office space in a single location to allow for cohesive functionality. The MFC approved the assignment of space for CID at the Mangrove Building at its February 28, 2026 meeting. Council approval of that report, which included funding instructions, will provide the funding necessary to prepare this location for CID. GSD is coordinating with the City Attorney on a sole source agreement to continue working with the architectural firm, who has been working as a subcontractor under the previous project management agreement, to prepare the next phase of space plans and construction documents for this project. Once approvals are received, the long-term location for these three displaced departments will be finalized. Construction completion is estimated in late 2026 to early 2027.

## **LAHD**

### **Short-Term Space Options**

The LAHD General Manager is working with GSD and CAO to request and identify more office space. LAHD is currently assigned approximately 163 seats at Industrious and occupies most of the 13th floor. Several options have been explored for LAHD's short-term use. However, with the

consolidated departments moving out of Industrious, LAHD advised that their preference is to expand into those spaces at Industrious until a permanent location is found. LAHD's current seat count at Industrious is expected to increase from 163 to approximately 343 and be fully funded by special funds thereby reducing general fund obligation.

### **DWP Vacating Space at Figueroa Plaza**

The Los Angeles Department of Water and Power (LADWP) is exploring purchasing an office building in the downtown area and would subsequently vacate its current space on the 9th, 10th, 15th, and 16th floors at the City-owned Figueroa Plaza located at 221 North Figueroa Street. The vacated floors could serve as an alternative long-term or permanent office space for either LAHD or OOF. However, LADWP's building acquisition is still pending and the timeline is uncertain. At this time, it is unknown when LADWP will vacate Figueroa Plaza. Additionally, LADWP recently advised that they anticipate requiring all available space at their new building and therefore no sublease opportunity for City use.

### **Industrious License Agreement Extension**

As a long-term solution for the remaining City departments has not been identified, an amendment to extend the Industrious license agreement is necessary. Furthermore, once the long-term solution is identified and approved by MFC and Council, time is still required to negotiate the lease or purchase agreement and build out the space for use. RES requires the assistance and support of a qualified real estate broker who has detailed knowledge and extensive background, familiarity, and experience with this project. Furthermore, there are potential parking challenges that need to be coordinated with the extension. Additional details and information regarding these services are provided below.

### **Long-Term or Permanent Space for LAHD and OOF**

LAHD and OOF eventually require a new long-term or permanent office space solution beyond their temporary placement at Industrious to accommodate over 230 OOF employees, and over 670 LAHD employees and their Personnel Department liaisons. RES is seeking direction from the MFC regarding this relocation effort to determine the project's scope and strategy. Specifically, RES requests direction on whether to separate the space requirements of these two departments or keep them combined, as well as direction on whether RES should pursue a long-term lease deal(s) or shift the strategy toward a direct or potential acquisition(s).

### **Real Estate Brokerage and Project Management Services Contract**

RES consulted with the Office of the City Attorney and the Office of the CAO, and requested to execute a supplemental agreement to extend the now expired real estate brokerage services and project management contract with CBRE. At this time, GSD's request for the use of a Supplemental Agreement remains under review within the Office of the City Attorney. GSD was advised by the City Attorney that a new formal Request for Bid (RFB) process is needed for the same services and square footage requirements with a clause that indicates that the maximum square footage requirement may be adjusted or reduced depending on potential/planned relocations and/or changes in space needs. However, a Supplemental Agreement to continue with the existing broker and project management team was discussed as an option.

If a new RFB process is needed, it will inherently take considerably more time and will significantly delay the permanent or long-term move for the remaining departments, furthering the need for expensive temporary space and continued uncertainty for the affected departments. The Supplemental Agreement provides for a seamless and comprehensive approach to ensure the City's interests are best served. It would resolve service gaps and address current challenges

and outstanding issues by providing access to critical resources and specialists that the City departments such as the Information Technology Agency (ITA) and the Bureau of Engineering (BOE) are currently unable to support due to limited bandwidth and a reduction in staff.

For over two years, CBRE and their sub-contractors provided crucial services in every phase of the project, granting flexibility and allowing the project to pivot as needed to adapt and respond to new developments and changes to direction, scope, requirements, and requests. These specialists have detailed knowledge, experience, and familiarity with the project and their continued involvement would maintain project continuity and cohesiveness with minimal disruption to manage the data network infrastructure designing and engineering, as well as management of the construction and tenant improvement planning and design components of the project.

The broker is essential for representing the City in complex negotiations and market searches to secure a suitable long-term office space or purchase a building for OOF and LAHD due to their existing knowledge of the City's evolving real estate needs.


Their expertise is required to effectively and advantageously:

- Negotiate an extension of the Industrious license agreement to avoid the costs and disruption of further temporary relocations.
- Negotiate and execute new employee parking agreements or amend existing ones as necessary.
- Manage the RFPs and Letters of Intent (LOIs), complete extensive financial analysis, and negotiate terms and conditions and costs.
- Address the City's changing real estate needs, including adjusting the strategy to meet shifting square footage requirements resulting from both planned departmental relocations and unforeseen scenarios, which was a common occurrence throughout this multi-year project.

## **RECOMMENDATION**

That the Municipal Facilities Committee direct the Department of General Services to:

- Extend the CBRE real estate brokerage services and project management contract with a Supplemental Agreement, in consult with the City Attorney or issue a Request for Bid (RFB) and execute a new contract with a qualified real estate broker and project manager from the CAO's Pre-Qualified list of firms to negotiate the Industrious license agreement extension for the OOF and/or LAHD in the short term, along with associated parking agreements.
- Utilize the same contract to facilitate the search for a long-term office space for up to 230,000 SF for the lease or the purchase of an office building for LAHD and/or OOF, and provide essential support for subsequent space planning and tenant improvement processes; and
- With the assistance of the Office of the City Attorney, execute a sole source contract with Mover Services, Inc. and Blackman & Forsythe for deep storage services and large scale move planning and coordination services.



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